Opening Statement of Chairman Tom Davis
"Making Networx Work: Countdown to the RFP for the Federal
Government's Telecommunications Program."
March 3, 2005
10:00 a.m.
Room 2157, Rayburn House Office Building

Good morning and welcome to the Government Reform Committee's hearing and ongoing oversight of General Services Administration's (GSA) Networx procurement, one that carries with it the potential to be both the largest telecommunications procurement ever, as well as the one that creates the Federal government's first digital, government-wide interoperable communications network.

This hearing is our third in the Committee's continuing efforts to gather information from industry and other stakeholders to find out whether Networx program, as it has evolved from that contained in its Request for Information (RFI) issued last October 2003 and the draft Request for Proposals (RFP) issued last November will become the government's acquisition infrastructure for information exchange in today's dynamic telecommunications environment.

First, I would like to briefly set out my expectations for the program and the role I envision for Congress. Networx must be the driver that facilitates the deployment of communications and information technologies effectively across government. I firmly believe that the communications infrastructure is the most critical component of the government's enterprise architecture. And it is the purpose of this hearing today to hear how Networx will fit the government's requirement for an enterprise-wide communications environment.

Networx must be the agent to enable us to better intersect technologies with sound management practices and effective governance principles. To ensure Networx success we need to provide the leadership and resources for those things the government should and must do as an

enterprise, such as the building of a centrally managed telecommunications infrastructure. Networx must be the backbone of that infrastructure. Congress must be an engaged and aggressive partner with the Executive branch and industry in ensuring the success of this program. To ensure this success we must think about establishing a governance structure that removes the heavy hand of mandatory use, but puts discipline in the objective of a centrally managed communications environment.

Now where are we in the oversight of Networx? Since the Committee's last hearing and the release of the draft RFP, GSA has spent months listening to industry, customer agencies and Congressional and other stakeholders. As a result the strategy has continued to evolve. During this time my staff and I have monitored the progression of Networx, conferring with all of the stakeholders and GSA, and consulting with experts, including the Government Accountability Office (GAO). The Committee intends to continue to monitor Networx closely as it progresses from a strategy, to an acquisition, and on to an operating program.

As it stands now, Networx will be a two-part program with both portions to be awarded concurrently. The full service portion is called Universal and will provide the full range of domestic and international network services. GSA has reduced somewhat the much criticized billing and other management requirements as the strategy has progressed. The smaller, more focused service portion is called Enterprise. It is designed to allow participation by providers who offer specialized services with less extensive geographic coverage than required by Universal. Enterprise does, however, mandate that its participants comply with the same billing and management requirements as Universal.

Both Universal and Enterprise provide for multiple award contracts with relatively low minimum revenue guarantees (MRGs). The current plan is for a total MRG of $525 million to be shared by all Universal awardees and a recently increased MRG of $50 million of all Enterprise awardees. The contracts are to span four years, with three two-year options. The planned schedule provides final solicitation to be issued on April 1, 2005 and for award by April 2006.

So far GSA has made substantial changes to the program as the comment process has advanced. I am not sure, however, that the evolution

has been sufficient to ensure that Networx will become the "best choice" for customer agencies as they design telecom plans to meet their diverse management challenges.

It is not at all clear that Networx as currently configured, particularly Enterprise, will encourage the broadest participation from industry, include a broad spectrum of technologies and services, and allow for the introduction of evolving technologies. I have consistently heard from industry that Enterprise, with its single, rather low MRG and onerous management and billing requirements, is a barrier rather than a gateway for the nontraditional innovative segments of the market.

GSA has moved to improve Enterprise. It has increased the original, rather meager $25 million MRG to be divided among all awardees, to $50 million, and it plans to provide for flexibility within Enterprise by allowing awardees to expand the number of optional services offered during the life of the program. Nevertheless these changes may not be sufficient to rescue the program. I am not sure that merely providing for what is, in effect, Universal with more modest mandatory requirements and narrower geographic coverage will get the job done. Some argue that Enterprise needs to be fundamentally different from Universal to succeed. They contend that innovation is stifled by complex management and billing requirements; by specifying requirements instead of setting forth a statement of objectives; by dividing the MRG among an unknown number of participants.

Finally, while I believe that GSA should be the government's agent to manage the government's communications environment, GSA must get its house in order so that it is up to the task. Because of revelations of contract management challenges at GSA, particularly at the Federal Technology Service, I, along with GSA top leadership am reviewing options to resolve the agency's structural and management challenges. I intend to further explore issues relating to GSA's management structure in an upcoming hearing on March 17.

We must be able to assure the American taxpayers that GSA will provide the kind of leadership and management capability a program like Networx demands. We must ensure that GSA exercises financial self discipline. GSA must not cripple Networx with exorbitant management fees. Once the program is ongoing GSA must consider administrative and

overhead charges regularly and adjust them downward as volume targets are achieved. GSA must handle the selection properly, the transition must be as smooth as possible, and the right program performance measures must be developed and consistently applied. I am prepared to take whatever action is needed to ensure GSA is up to the job.

We hope to receive enlightenment this morning on these challenges, as well as others, such as transition, access to the most current technology, and the impact on the program of the ever converging and merging telecommunications marketplace. We will examine whether GSA has the capacity to advance from the current planning stage to the execution of what will be a complex and challenging acquisition. The key to success here is for GSA to take advantage of the wealth of information that has been made available to it throughout the comment and discussion process and through these hearings. It is crucial for GSA to design and implement this program properly. It is more important for GSA to do this right than to do it on schedule. Timeliness is important; doing it right is imperative.

We have a solid line up of witnesses today, experts from industry and government. They have a range of views and a breadth of experience. I look forward to their input, and I look forward to working with government and industry to ensure that Networx achieves its potential.